



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
75 Hawthorne Street
San Francisco, CA 94105

Certified Mail: 7008 1140 0004 5420 9115
Return Receipt Requested

01 2010

Robert M. McAllister, President
Los Angeles By-Products Co.
10940 Portal Drive
Los Alamitos, CA 90720

Re: Special Notice Letter for the North Hollywood Operable Unit of the San Fernando Valley, Area 1 Superfund Site for upcoming RD/RA Activities

Dear Mr. McAllister:

As you know, the United States Environmental Protection Agency ("EPA" or the "Agency") has been conducting response actions at the North Hollywood Operable Unit of the San Fernando Valley, Area 1 Superfund Site, located in Los Angeles, California ("NHOU"). In letters dated July 16, 1993 and April 25, 2006, Los Angeles By-Products Co. ("LABP") was issued General Notice as an owner and operator of multiple facilities from which contaminants, including but not limited to trichloroethylene ("TCE") and tetrachloroethylene ("PCE"), were released into the environment. In the General Notice letters, EPA notified you of your potential responsibility under Section 107(a) of the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA" or "Superfund"), 42 U.S.C. § 9607(a), for the cleanup of the NHOU, including all costs incurred by the EPA in responding to releases at the NHOU. EPA is now contacting you in an attempt to further resolve your responsibility at the NHOU, and hereby requests your participation in upcoming negotiations to implement the remedy selected in the Interim Action Record of Decision, signed by EPA on September 30, 2009 ("2009 ROD").

Background

In September of 1987, EPA signed the first record of decision at the NHOU, which selected groundwater extraction and treatment for fifteen years as an interim remedy in order to contain and remove contaminant mass from the plume of volatile organic compounds ("VOC") in the NHOU ("Existing Remedy"). The Fourth Five-Year Review of the Existing Remedy's performance, which was conducted by EPA in 2008, concluded that the NHOU VOC groundwater plume was migrating vertically and laterally beyond the remedy's zone of hydraulic control. In addition, since the Existing Remedy began operating in December 1989, several new contaminants, including chromium and 1,4-dioxane, have been detected in the NHOU at levels requiring remediation.

The 2009 ROD selects a second interim remedy for the NHOH with the following objectives: (1) prevent exposure to contaminated groundwater above acceptable risk levels; (2) contain areas of contaminated groundwater that exceed the maximum contamination levels ("MCLs") and state notification levels to the maximum extent practicable; (3) prevent further migration of the plume; and (4) remove contaminant mass from the aquifer ("Second Interim Remedy"). The Second Interim Remedy is not a final remedy because its scope does not include restoration of the aquifer to levels below MCLs, nor a waiver from this requirement. However, additional data obtained during design and implementation of the Second Interim Remedy is expected to provide the basis for EPA's development of a final remedy. For your information, a copy of the 2009 ROD is enclosed with today's letter.

Special Notice and Moratorium on Certain EPA Actions

EPA has determined that use of the special notice procedures set forth in Section 122(e) of CERCLA, 42 U.S.C. § 9622(e), may facilitate a settlement between you, other potentially responsible parties ("PRPs"), and EPA for implementation of the Second Interim Remedy. Under Section 122(e), this letter triggers a sixty-day moratorium on certain EPA response activities at the NHOH. During this 60-day moratorium, EPA will not begin implementation of the Second Interim Remedy. However, EPA reserves the right to take action at the NHOH at any time should a significant threat to the human health or the environment arise.

During this 60-day period, you and the other PRPs are invited to participate in formal negotiations with EPA in an effort to reach a settlement to conduct or finance the response action at the NHOH. The 60-day negotiation period ends on September 3, 2010. The 60-day moratorium will be extended for an additional sixty days if PRPs provide EPA with a "good faith offer" to conduct or finance the response action and reimburse EPA for its costs incurred to date. If EPA determines that your proposal is not a "good faith offer," you will be notified in writing of EPA's decision to end the moratorium. If the moratorium is extended for an additional 60 days, negotiations will conclude on November 2, 2010. If settlement is reached between EPA and the PRPs within the 120-day moratorium period, the settlement will be embodied in a consent decree ("CD") for Remedial Design/Remedial Action ("RD/RA"). When approved by EPA and the U.S. Department of Justice ("DOJ"), the CD will then be lodged in federal court.

If a "good faith offer" is not received within sixty days, or a timely settlement cannot be reached, EPA may take appropriate action at the NHOH, which may include either of the following options: (1) EPA may fund the remedial action and pursue a cost recovery claim under Section 107 of CERCLA against the PRPs; or (2) EPA may issue a Unilateral Administrative Order ("UAO") to you and/or the other PRPs under Section 106(a) of CERCLA, 42 U.S.C. § 9606, requiring you or them to perform the work described in the 2009 ROD. If the recipients of a UAO refuse to comply with the UAO, EPA may pursue civil litigation against the recipients to require compliance.

A proposed CD (based on EPA's model RD/RA consent decree, which can be found at <http://www.epa.gov/compliance/resources/policies/cleanup/superfund/rev-rdra-2009.pdf>) and a

draft Statement of Work are enclosed to assist you in developing a good faith offer. EPA expects that the Los Angeles Department of Water and Power ("LADWP"), the current operator of the Existing Remedy, will be a signatory to the new CD. It is also possible that the State of California ("State") will join the United States as a plaintiff in this action. The draft CD, however, does not address either LADWP's or the State's participation. EPA intends to add provisions specific to LADWP and the State to the CD as their roles become more clearly defined in the negotiation process, e.g., when the decision is made regarding whether LADWP will continue to serve as operator of the NHOU treatment system. The attached draft CD and draft Statement of Work are not binding on EPA and are subject to revision and approval by EPA and the United States Department of Justice.

Requirements for a Good Faith Offer

As indicated above, the sixty-day moratorium triggered by this letter is extended for sixty days if the PRPs submit a good faith offer to EPA to conduct or finance the RD/RA work. A good faith offer is a written proposal from the interested PRPs that demonstrates their qualifications and willingness to conduct or finance the design, implementation, and monitoring of the remedy and contains the following elements:

- * A statement of your willingness to conduct or finance the remedial action that is consistent with the 2009 ROD and the proposed CD and that provides a sufficient basis for further negotiation;
- * A demonstration of your technical capability to undertake the remedial action; including the identification of the firm(s) that may actually conduct the work or a description of the process by which the firm(s) will be selected;
- * A statement of your willingness to reimburse EPA for past costs as well as the costs EPA would incur in overseeing implementation of the remedial action;
- * A response to the proposed CD. If your offer contemplates modifications to the proposed CD, please work from this CD and submit a version showing any modifications to it;
- * A list identifying each party on whose behalf the offer is being made, including name, address, and telephone number of each party;
- * A proposed schedule for six months of bi-weekly calls and monthly meetings between all participating PRPs and EPA beginning sixty days after the date of this letter.
- * A written explanation as to how you intend to proceed with the remedial action; and
- * The name, address, and telephone number of the party who will represent you in negotiations.

Demand for EPA Costs

In accordance with CERCLA, EPA has already undertaken certain actions and incurred costs of at least \$13,015,587 in response to conditions at the NHOU, which includes \$2,708,864 in Basin-wide costs attributable to the NHOU. These response actions include, but are not limited to: preparation of a focused feasibility study for the Second Interim Remedy and preparation of the 2009 ROD. EPA also anticipates expending additional funds for response activities at the NHOU, which may include a remedial action or oversight of a remedial action. In accordance with Section 107(a) of CERCLA, demand is hereby made for payment of EPA's response costs plus any and all interest recoverable pursuant to CERCLA Section 107 or under any other provisions of law.

Some or all of the costs associated with this notice may be covered by current or past insurance policies issued to you. Most insurance policies will require that you timely notify your carrier(s) of a claim against you. To evaluate whether you should notify your insurance carrier(s) of this demand, you may wish to review current and past policies, beginning with the date of your first contact with the NHOU, up to the present. Coverage depends on many factors, such as the language of the particular policy and state law.

In the event that you file for protection in the bankruptcy court, EPA reserves the right to file a proof of claim or application for reimbursement of administrative expenses against the debtor.

Informational Meeting

EPA invites you to attend an Informational Meeting on July 20, 2010, at 10:00 a.m. at the below address. At this meeting, EPA will present information regarding the NHOU and the 2009 ROD, and will be open for questions.

U.S. EPA Southern California Field Office
600 Wilshire, Ste. 1460
Los Angeles, CA 90017

PRP Steering Committee

EPA encourages good faith negotiations between your company and the Agency, as well as coordination among your company and the other parties potentially responsible for contamination at the NHOU. EPA encourages PRPs involved at the NHOU to form a PRP steering committee. EPA believes that a PRP steering committee is the best vehicle for establishing and maintaining coordinated and constructive dialogue both within the PRP group itself and between PRPs and the Agency. For your information and to facilitate organization, we have enclosed a list identifying all of the PRPs who are receiving special notice letters similar to your own.

EPA recognizes that the allocation of responsibility among PRPs may be difficult, and EPA does not maintain that previous allocations among PRPs are binding on prospective

negotiations. If PRPs are unable to reach consensus among themselves, we encourage the use of the services of a neutral third party to help allocate responsibility. Third parties are available to facilitate negotiations (i.e., to mediate). If requested, EPA can provide a list of experienced third-party mediators, or help arrange for a mediator.

Administrative Record

In accordance with Section 113 of CERCLA, 42 U.S.C. § 9613, EPA has established an administrative record ("AR") containing the documents that serve as the basis for EPA's selection of the appropriate response action for the NHOU. The AR is located at:

- City of Los Angeles Central Library, Science & Technical Department: 630 West 5th Street, Los Angeles, CA, 90071
- North Hollywood Regional Branch Library, 5211 Tujunga Avenue, North Hollywood, CA, 91601
- Burbank Public Library, Central Library, 110 North Glen Oaks Blvd., Burbank, CA, 91502
- Glendale Public Library, 222 East Harvard St., Glendale, CA, 91205

and is available to the public for inspection. The AR is also available for inspection at the Superfund Records Center, EPA Region IX, 95 Hawthorne Street, San Francisco, CA 94105. You may wish to review the AR to assist you in responding to this letter, but your review should not delay such response beyond the 60-day period provided by CERCLA.

PRP Response

You are encouraged to contact EPA by September 3, 2010 to indicate your willingness to participate in future negotiations concerning the NHOU. You may respond individually or through a steering committee if such a committee has been formed. If EPA does not receive a timely response, EPA will assume that you do not wish to negotiate a resolution of your liabilities in connection with the NHOU, and that you have declined any involvement in performing the response activities.

Your response to this Special Notice Letter and the demand for costs included herein, including written proposals to perform the remedial action selected for the NHOU, should be sent to:

Kelly Manheimer, Remedial Project Manager (SFD-7-1)
United States Environmental Protection Agency
75 Hawthorne Street
San Francisco, CA 94105
(415) 972-3290

Resources for Small Business

As you may be aware, on January 11, 2002, the Superfund Small Business Liability Relief and Brownfields Revitalization Act (the "Act") became effective. The Act contains several exemptions and defenses to CERCLA liability, which we suggest all parties evaluate. You can obtain a copy of the Act at: <http://www.epa.gov/swerosps/bf/sblrbra.htm>. You can

review EPA guidances regarding these exemptions at <http://www.epa.gov/compliance/resources/policies/cleanup/superfund>.

EPA has created a number of helpful resources for small businesses. EPA has established the National Compliance Assistance Clearinghouse as well as Compliance Assistance Centers, which offer various forms of resources to small businesses. You may inquire about these resources at www.epa.gov. In addition, the EPA Small Business Ombudsman may be contacted at www.epa.gov/sbo. Finally, EPA developed a fact sheet about the Small Business Regulatory Enforcement Fairness Act ("SBREFA"), which is enclosed with this letter.

If you have any questions regarding the technical aspects of this letter, please contact Kelly Manheimer, Remedial Project Manager, at (415) 972-3290. If you have an attorney handling your legal matters, please direct his or her questions to Michael Massey, Assistant Regional Counsel, at (415) 972-3034.

The factual and legal discussions in this letter are intended solely to provide notice and information, and such discussions are not to be construed as a final EPA position on any matter set forth herein. Due to the seriousness of the environmental and legal problems posed by the conditions at the NHOU, EPA urges that you give immediate attention and prompt response to this letter.

My staff and I look forward to working with you during the coming months.

Sincerely,

A handwritten signature in black ink, appearing to read "Kathleen Salyer". The signature is fluid and cursive, with the first name "Kathleen" written in a larger, more prominent script than the last name "Salyer".

Kathleen Salyer, Assistant Director
Superfund Division
California Site Cleanup Branch

Enclosures

cc: Lawrence Meyer, Esq.
Greenwald, Hoffman, Meyer & Montes, LLP